

**HSBC USA INC.,  
HSBC BANK USA, N.A.  
and  
HSBC TRUST COMPANY (DELAWARE), N.A.**

**CHARTER OF THE  
RISK COMMITTEE**

**I. Committee Purpose**

The Risk Committee is appointed by the Boards of Directors of HSBC USA Inc. (the “Corporation”), HSBC Bank USA, N.A. (“HSBC Bank USA”), and HSBC Trust Company (Delaware), N.A. (“HSBC Trust Company” and, together with HSBC Bank USA, the “Banks”) and is responsible, on behalf of the Boards, for oversight and advice to the Board on high level risk related matters and risk governance with respect to:

- 1) the Corporation’s/Banks’ risk appetite, tolerance and strategy;
- 2) systems of risk management and internal control to identify, measure, aggregate, control and report risks;
- 3) the management of capital levels and regulatory ratios, related targets, limits and thresholds and the composition of the Corporation’s/Banks’ capital;
- 4) the alignment of strategy with the Corporation’s/Banks’ risk appetite as defined by the Boards; and
- 5) the maintenance and development of a supportive and proactive risk management culture that is appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organization of their actions and decisions and appropriately communicate regarding identified risks.

**II. Committee Composition and Meetings**

The Committee shall consist of not less than three independent, non-executive Directors. In addition, Directors who do not meet the criteria for independence may serve as non-voting members. The Boards of Directors may from time to time appoint additional members to the Committee that it has determined to be independent. The appointment of the Chair and all Committee members shall be made by the Boards of Directors and shall be subject to endorsement by the Group Risk Committee.

The Committee shall meet with such frequency as it may consider appropriate and at such times as it may determine. It is expected that the Committee shall meet at least four times a year. If the total number of Directors on the Committee is odd, a quorum to transact business at the meeting will be a majority of the Directors. If the total number of Directors is even, a quorum will exist if one-half of

the Directors are present. Each year, a schedule of matters to be considered by the Committee at its scheduled meetings will be presented to the Committee-and may be amended from time to time to ensure Committee compliance with this Charter. Each year, a schedule of matters to be considered by the Committee at its scheduled meetings will be presented to the Committee-and may be amended from time to time to ensure Committee compliance with this Charter. The Secretary of the Committee shall produce materials and minutes of all meetings and the Committee shall make regular reports to the Boards on all its activities since its last report. The Committee shall also provide information believed to be pertinent to the performance of responsibilities of other committees of the Boards to those committees as appropriate. The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

### **III. Committee Responsibilities**

The Committee shall have the following responsibilities, powers, direction and authorities:

1. To oversee and advise the Boards of Directors on all high-level risk related matters. In providing such oversight and advice to the Boards of Directors, the Committee shall oversee (i) current and forward-looking risk exposures; (ii) the Corporation's/Banks' risk appetite and future risk strategy, including capital and liquidity management strategy; and (iii) management of risk within the Corporation/Banks.
2. To advise the Boards on risk appetite and tolerance in determining strategy. In preparing advice to the Board on overall risk appetite tolerance and strategy, the Committee shall (i) satisfy itself that risk appetite supports the Corporation's/Banks' strategy; (ii) seek such assurance as it may deem appropriate that account has been taken of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments published by authoritative sources that may be relevant; (iii) review and approve the methodology used in establishing the Corporation's/Bank's risk appetite, including for example, risk asset ratios, limits on exposures and concentrations, leverage ratios, economic capital ratios and stress and scenario testing; and (iv) review the results of appropriate stress and scenario testing.
3. Oversee management's implementation of the risk governance framework. In providing such oversight, the Committee shall:
  - (i) review and approve the framework at least annually and review and approve any amendments to the framework; and
  - (ii) receive reports from management with respect to compliance with the framework and make inquiries of management to ensure the adequacy and effectiveness of the framework in accordance with regulatory requirements.
4. To advise the Boards of Directors, and/or the Nominating and Governance Committee of HSBC North America Holdings Inc. on alignment of remuneration with risk appetite.

5. To consider and advise the Boards of Directors on the risks associated with proposed strategic acquisitions or dispositions as requested from time to time by the Boards in consultation with the Chairman of the Board.
6. To receive regular management reports from management which (i) enable the Committee to assess the risks involved in the Corporation's/Banks' business and how risks are monitored and controlled by management; and (ii) give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure which may require a complex assessment of the Corporation's/Banks' vulnerability to previously unknown or unidentified risks.
7. To receive regular reports from management on levels and composition of capital as well as related controls established as part of the capital management and planning process, in light of the Corporation's/Banks' risk profile applicable regulatory or statutory requirements, current and planned business activities, projected asset growth and target capital levels, limits and thresholds. The Committee will evaluate such reports and make recommendations to management for any changes it deems appropriate and to ensure that sufficient consolidated capital is maintained commensurate with the level and nature of risks to which the Corporation/Banks are exposed.
8. To receive regular reports from representatives of each of the Wholesale Credit Risk, Retail Credit Risk and Credit Risk Review functions to enable the Committee to oversee the Corporation's and its subsidiaries' credit quality and to assess the Corporation's/Banks' major credit risk exposure and the steps management has taken to monitor and control such exposures.
9. To receive regular reports from management that enable the Committee to assess the Corporation's/Banks' exposures to market, interest rate, trading and liquidity risks, and the steps management has taken to monitor and control such exposures.
10. To review and discuss with management the Corporation's/Banks' overall operational risk profile, whether it is within the limits of the Risk Appetite Statement, and the steps management has taken to monitor and control such exposures.

In this regard, the Committee shall:

- (i) review with senior management, including the General Counsel of HSBC North America Holdings Inc. and Chief Risk Officer, and, as appropriate, approve, guidelines and policies to govern the process for assessing and managing other risk topics, including litigation risk and reputational risk;
- (ii) receive reports related to technology risk, including the adequacy of the Corporation's/Banks' business recovery plans and the information security program, including risk to customer information, and significant third party outsourcing relationships; and

- (iii) review the Community Reinvestment Act program.
11. To review the effectiveness of the Corporation's/Banks' internal control and risk governance framework and whether management has discharged its duty to maintain an effective internal control system in relation to the strategic objectives of the Corporation/Banks.

In undertaking this responsibility the Committee shall:

- (i) satisfy itself that there are adequate procedures for monitoring in a sufficiently timely and accurate manner, large exposures or risk types whose relevance may become of critical importance;
  - (ii) satisfy itself that adequate procedures have been implemented to require compliance with HSBC Group policies;
  - (iii) consider any material findings from regulatory reviews and interactions with regulators in relation to risk governance or risk assessment or management process;
  - (iv) discuss the internal control systems with management and satisfy itself that management has discharged its duty to have an effective internal control system. The Corporation's/Banks' Audit Committee shall have primary responsibility in this regard in relation to internal financial controls;
  - (v) review regular reports from Internal Audit and seek assurance from Internal Audit that internal control processes for risk management are adequate for the strategy determined by the Boards of Directors.
12. To review and discuss with the Chief Risk Officer the adequacy and effectiveness of the Corporation's/Banks' risk management function to determine whether there are scope or resource limitations that would impede the ability of independent risk management to execute its responsibilities. The Committee shall seek such assurances as it may deem appropriate that the risk management function is adequately resourced (including taking into account qualifications and experience of the senior management of the risk management function, its training programs, budget, succession planning for key roles in the function), has appropriate standing within the Corporation/Banks and is free from constraint by management or other restrictions.
13. To recommend approval of the appointment and replacement of the Chief Risk Officer. The Committee shall review and approve the annual key objectives and performance review of the Chief Risk Officer. The Committee shall also review the annual performance objectives and the annual performance of the Head of Credit Review with the Chief Risk Officer.

14. The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer:
  - (i) participates in the risk management and oversight process at the highest level on an enterprise-wide basis;
  - (ii) is satisfied that risk originators in the businesses are aware of and aligned with the Corporation's risk appetite;
  - (iii) has total independence from individual business units;
  - (iv) reports to the Committee and has internal functional reporting lines to the Group Chief Risk Officer;
  - (v) cannot be removed from office without the prior agreement of the Board of Directors; and
  - (vi) has direct access to the Chairman of the Committee in the event of need.
15. To oversee the continuing maintenance and enhancement of a strong enterprise-wide risk management culture, including initiatives to instill a culture in which:
  - risk is proactively identified and managed within local businesses and operations;
  - the respective responsibilities of local businesses and operations, the control functions and the Internal Audit Department are understood and respected;
  - regular and appropriate risk management training of all staff is provided; and
  - accountability is expected and accepted.
16. To review any issue which arises from the independent auditor's annual report on the progress of the external audit, any queries raised by the independent auditor to management and, in each case, requiring a timely response to be provided by management on material issues relating to the management of risk or internal control (other than internal financial control) that has been referred to the Committee by the Corporation's/Banks' Audit Committee or as this Committee shall consider appropriate.
17. As it deems appropriate, to (i) review at least annually the Terms of Reference or Charter of the Risk Management Meeting; and (ii) review minutes of the Risk Management Meeting and such further information as the Committee may request from the Risk Management Meeting from time to time.
18. To provide the Boards with such additional assurance as it may reasonably require regarding the effectiveness of the Corporation's/Banks' risk management functions.
19. To perform any other duties or responsibilities expressly delegated to the Committee by the Boards from time to time, and undertake or consider on behalf of the Chairman or the Boards such other related tasks or topics as the Chairman or the Boards may request from time to time.

20. The Committee shall meet in executive session with (i) The Chief Risk Officer at each regular meeting to ensure that there are no unresolved issues or concerns; (ii) The Head of Internal Audit at least once each year to ensure that there are no unresolved issues or concerns; (iii) the independent auditor at least once each year to ensure that there are no unresolved issues or concerns; and (iv) The Head of Credit Risk Review at least twice each year to ensure that there are no unresolved issues or concerns and to review the adequacy and effectiveness of the Corporation's/Banks' Credit Review function. The Committee will seek such assurances as it may deem appropriate that the Credit Review function is adequately resourced, has appropriate standing within the Corporation, has total independence from individual business units and other functions; and that the qualifications and experience of the senior management of the function, its training programs, budgets and succession planning for key roles in the function, are appropriate.
21. Where applicable, to review the composition, powers, duties and responsibilities of any subsidiary companies' non-executive risk committees. The Risk Committee will review the charters of such committees and approve material deviations from such core terms.
22. To engage in an annual self-assessment with the goal of continuing improvement, and to review and reassess the adequacy of this charter at least annually and recommend any proposed changes to the Boards for approval.

The Committee may consider any matter relating to, and may request any information as it considers appropriate, from any audit committee, risk committee or other committee which has responsibility for the oversight of risk within the Corporation/Banks.

In its discretion, to retain special counsel, advisors, experts, or other consultants and to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. In its discretion, the Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant risk experience outside the Corporation/Banks and challenge its analysis and assessment. Any such appointment shall be made through the Corporate Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Corporation/Banks.

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairmen shall have the discretion to agree the most appropriate committee to fulfill any obligation. An obligation under the Charter of any Board Committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other Board Committee.

Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board of Directors on action needed to address the issue or to make improvements and shall report such concerns to the Audit Committee and/or Risk Committee of HSBC North America Holdings Inc. as appropriate; or to any audit and/or risk committee of an intermediate holding company as appropriate.

While the Risk Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Risk Committee to plan or conduct the evaluation of risk. This is the responsibility of management, and particularly the Risk Management function. Nor is it the duty of the Risk Committee to conduct investigations or to otherwise assure compliance with laws and regulations or codes of ethics that apply to the Corporation and its subsidiaries.

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